To: Members of Point Board

From: David Cohn

Date: 7/25/84

Re: Present financial condition of Point Foundation

After resolution of our present accounts, we have net cash $300,000. Until this month POINT was losing $60,000/month. At present that is down to $32,500/month.

This report is based on the "default" assumption that we will do a bi-monthly magazine, 100 pp., CQ format, that will include computer information which will be created in-house. This magazine, called here the WHOLE EARTH REVIEW (Tools and Ideas for the Computer Age), would be sent as a replacement subscription to CQ and W.E.SOFTWARE REVIEW subscribers. Its newsstand price would be $3.50, so the annual subscription price would remain $18.

"Plan C"

If we reduce our operations to a minimum and do not account for increase in CQ subscriptions, and if we give up facilities, research/library staff and operations and 150 Gate 5 Road, we would be operating at a loss of $17,000/month. If this scenario were implemented by Sept. 1, we would be able to sustain that loss out of our cash flow for 17 months--- through December, 1985. During that period of time we would need to increase our subscriptions by 13,500 to break even.

[illegible] Point Foundation costs to the operations [illegible] 150 Gate 5 Road are $15,700/

The budget described here is based on present CQ subscriptions, [illegible] 22,000. It does not include the present 8,600 WESR subscribers, nor any estimated subscribers who will respond to the promotional offer in the 3rd issue of WESR, nor those who will respond to the ad in the CATALOG. The net gain on subscription carryovers after the merger is not clear because we do not know the extent of subscriber loss to be expected. Perhaps gains and losses will cancel each other out, or perhaps we will sustain a substantial net gain in subscriptions out of this merger.

If the new magazine is distributed on national newsstands, there will minimal financial gain from direct sales, but there would be a positive effect on subscriptions. The cash gain from our own direct mail order sales of the CATALOG ($7.50 each) are not included in this budget. Included in the expenses for the new magazine are all Point Foundation costs.

"Plan B"

Without allocating any Point Foundation costs to the operations at 150 Gate 5 Road, maintenance costs at 150 Gate 5 Road are $15,700/month. Adding that to the $17,000/month deficit involved in doing the combined magazine, we would incur a $32,700/month deficit. Our cash flow could sustain that deficit for nine months, through April, if we did not incur further expenses in maintaining the research center for equipment, fixtures and staff. It would take 22,000 additional subscribers over present CQ subscription

level to break even on this basis.

A popular idea to generate income from the 150 Gate 5 facility is to run it as a research library, charging $1000-$1500/year to corporate members, $400/year to individual members, and some daily/hourly fee. This software research center could develop related sources for income, like tutorial fees and research re-reports for businesses.

Another source for income that is being explored is "electronic publishing" of the CATALOG as an on-line database with services such as COMPUSERV, THE SOURCE, and DOW JONES. There would be an an ongoing royalty fee in addition to the initial sale. It is not clear how much income this would generate--it could be substantial. This project would require maintenance of at least part of 150 Gate 5 Rd, and maintenance of the operations of the library would be invaluable for future editions of the CATALOG or related publications.

Other potential income sources:

-Commercial use of the WHOLE EARTH CATALOG library at 27 Gate 5 Rd. Could be $200/week for 5 users at a time ($1,000).

-An electronic WHOLE EARTH CATALOG.

-A new book, THE ESSENTIAL WHOLE EARTH CATALOG.

-Limited R and D Partnerships with the likes of Hewlett-Packard or Apple for 1)research in electronic publishing, and 2) software evaluation.

-Further direct mail promotion for our mail order sales of the SOFTWARE CATALOG.

-Sales beyond 540,000 copies of the SOFTWARE CATALOG through Doubleday and _____ through Corgi in England.

Summary:

Plan A. Continue with WHOLE EARTH SOFTWARE REVIEW. With no new income we go to zero cash in February, 1985.

Plan B. Merge magazines, keep 150 Gate 5 Rd. We last until May, 1985 with no new income. With each gain of $32,500 in income we gain another month; ditto with each cut of $32,500 in expenses.

Plan C. Merge magazine, drop 150, and we have until January, 1986.